

1 AN ACT relating to retired emergency personnel.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO
4 READ AS FOLLOWS:

5 *(1) As used in this section:*

6 *(a) "Employer" means:*

7 *1. Any incorporated city, consolidated local government, unified local*
8 *government, urban-county government, or charter county government*
9 *operating under the laws of this Commonwealth, and the offices and*
10 *agencies thereof; or*

11 *2. A fire protection district organized under KRS Chapter 75; and*

12 *(b) "Firefighter" means any member of a paid:*

13 *1. Municipal fire department organized under KRS Chapter 67A, 67C, or*
14 *95; or*

15 *2. Fire protection district organized under KRS Chapter 75.*

16 *(2) Subject to the limitations in subsection (7) of this section, an employer may*
17 *employ individuals as firefighters under this section who have retired from the*
18 *Kentucky Employees Retirement System, the County Employees Retirement*
19 *System, or the State Police Retirement System.*

20 *(3) To be eligible for employment under this section, an individual shall have:*

21 *(a) Participated in the Firefighters Foundation Program fund under KRS*
22 *95A.200 to 95A.300, or retired as a firefighter under KRS Chapter 95;*

23 *(b) Retired with at least twenty (20) years of service credit;*

24 *(c) Been separated from service for the period required in KRS 61.637 and*
25 *78.5540 so that the member's retirement is not voided;*

26 *(d) Retired with no administrative charges pending;*

27 *(e) Retired with no preexisting agreement between the individual and the*

1 employer prior to the individual's retirement for the individual to return to
2 work for the employer; and

3 (f) Successfully completed a Candidate Physical Ability Test (CPAT) prior to
4 reemployment if the individual has not served as a firefighter for one (1)
5 year or more as of the date of reemployment.

6 (4) Individuals employed under this section shall:

7 (a) Be employed for a period not to exceed one (1) year. The one (1) year
8 employment period may be renewed annually at the discretion of the
9 employer;

10 (b) Receive compensation according to the standard procedures applicable to
11 the employer; and

12 (c) Be employed based upon need as determined by the employer.

13 (5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
14 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

15 (a) Individuals employed under this section shall continue to receive all
16 retirement and health insurance benefits to which they were entitled upon
17 retiring in the applicable system administered by Kentucky Retirement
18 Systems or the County Employees Retirement System;

19 (b) Except as provided in paragraph (e) of this subsection, individuals employed
20 under this section shall not be eligible to receive health insurance coverage
21 through the employer;

22 (c) The employer shall pay the employer's normal cost contribution as defined
23 by KRS 78.635 on any firefighter employed in a regular full-time position as
24 defined by KRS 78.510, but shall not pay any other employer contributions
25 or retiree health expense reimbursements to the Kentucky Retirement
26 Systems or County Employees Retirement System required by KRS
27 61.637(17) or 78.5540(4) for individuals employed under this section;

- 1 (d) Except as provided in paragraph (e) of this subsection, the employer shall
2 not pay any insurance contributions to the Kentucky Employees Health
3 Plan as provided by KRS 18A.225 to 18A.2287 for individuals employed
4 under this section; and
- 5 (e) The legislative body of the employer may by legislative action provide or
6 authorize provision of health insurance coverage for individuals employed
7 under this section, subject to the terms and conditions established by the
8 employer.
- 9 (6) Individuals employed under this section shall be subject to any merit system, civil
10 service, or other legislative due process provisions applicable to the employer. A
11 decision not to renew a one (1) year employment term under this section shall not
12 be considered a disciplinary action or deprivation subject to due process.
- 13 (7) An employer shall be limited in the number of retired firefighters that it may
14 employ under this section as follows:
- 15 (a) An employer that employed an average of five (5) or fewer firefighters over
16 the course of the immediately preceding calendar year shall not be limited
17 in the number of firefighters that it may employ under this section;
- 18 (b) An employer that employed an average of more than five (5) but fewer than
19 one hundred (100) firefighters over the course of the immediately preceding
20 calendar year shall not employ more than five (5) firefighters under this
21 section, or a number equal to twenty-five percent (25%) of the firefighters
22 employed by the employer in the immediately preceding calendar year,
23 whichever is greater; and
- 24 (c) An employer that employed an average of one hundred (100) or more
25 firefighters over the course of the immediately preceding calendar year shall
26 not employ more than twenty-five (25) firefighters under this section, or a
27 number equal to ten percent (10%) of the firefighters employed by the

1 *employer in the immediately preceding calendar year, whichever is greater.*

2 ➔Section 2. KRS 61.637 is amended to read as follows:

3 (1) A retired member who is receiving monthly retirement payments under any of the
4 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
5 as an employee by a participating agency prior to August 1, 1998, shall have his or
6 her retirement payments suspended for the duration of reemployment. Monthly
7 payments shall not be suspended for a retired member who is reemployed if he or
8 she anticipates that he or she will receive less than the maximum permissible
9 earnings as provided by the Federal Social Security Act in compensation as a result
10 of reemployment during the calendar year. The payments shall be suspended at the
11 beginning of the month in which the reemployment occurs.

12 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
13 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
14 except where monthly payments were not suspended as provided in subsection (1)
15 of this section or would not increase the retired member's last monthly retirement
16 allowance by at least one dollar (\$1), and the member shall be credited with
17 additional service credit.

18 (3) In the month following the termination of reemployment, retirement allowance
19 payments shall be reinstated under the plan under which the member was receiving
20 payments prior to reemployment.

21 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
22 accordance with subsection (1) of this section shall be paid retroactively to the
23 retired member, or his or her estate, if he or she does not receive more than
24 the maximum permissible earnings as provided by the Federal Social Security
25 Act in compensation from participating agencies during any calendar year of
26 reemployment.

27 (b) If the retired member is paid suspended payments retroactively in accordance

1 with this section, employee contributions deducted during his or her period of
2 reemployment, if any, shall be refunded to the retired employee, and no
3 service credit shall be earned for the period of reemployment.

4 (c) If the retired member is not eligible to be paid suspended payments for his or
5 her period of reemployment as an employee, his or her retirement allowance
6 shall be recomputed under the plan under which the member was receiving
7 payments prior to reemployment as follows:

- 8 1. The retired member's final compensation shall be recomputed using
9 creditable compensation for his or her period of reemployment;
10 however, the final compensation resulting from the recalculation shall
11 not be less than that of the member when his or her retirement allowance
12 was last determined;
- 13 2. If the retired member initially retired on or subsequent to his or her
14 normal retirement date, his or her retirement allowance shall be
15 recomputed by using the formula in KRS 61.595(1);
- 16 3. If the retired member initially retired prior to his or her normal
17 retirement date, his or her retirement allowance shall be recomputed
18 using the formula in KRS 61.595(2), except that the member's age used
19 in computing benefits shall be his or her age at the time of his or her
20 initial retirement increased by the number of months of service credit
21 earned for service performed during reemployment;
- 22 4. The retirement allowance payments resulting from the recomputation
23 under this subsection shall be payable in the month following the
24 termination of reemployment in lieu of payments under subparagraph 3.
25 of this paragraph. The member shall not receive less in benefits as a
26 result of the recomputation than he or she was receiving prior to
27 reemployment or would receive as determined under KRS 61.691; and

- 1 5. Any retired member who was reemployed prior to March 26, 1974, shall
2 begin making contributions to the system in accordance with the
3 provisions of this section on the first day of the month following March
4 26, 1974.
- 5 (5) A retired member, or his or her estate, shall pay to the retirement fund the total
6 amount of payments which are not suspended in accordance with subsection (1) of
7 this section if the member received more than the maximum permissible earnings as
8 provided by the Federal Social Security Act in compensation from participating
9 agencies during any calendar year of reemployment, except the retired member or
10 his or her estate may repay the lesser of the total amount of payments which were
11 not suspended or fifty cents (\$0.50) of each dollar earned over the maximum
12 permissible earnings during reemployment if under age sixty-five (65), or one
13 dollar (\$1) for every three dollars (\$3) earned if over age sixty-five (65).
- 14 (6) (a) As used in this section, "reemployment" or "reinstatement"~~[as used in this~~
15 ~~section]~~ shall not include a retired member who has been ordered reinstated
16 by the Personnel Board under authority of KRS 18A.095.
- 17 (b) 1. A retired member who has been ordered reinstated without loss of pay
18 by the Personnel Board under authority of KRS 18A.095 or by court
19 order or by order of the Kentucky Commission on Human Rights and
20 accepts employment by an agency participating in the Kentucky
21 Employees Retirement System, State Police Retirement System, or
22 County Employees Retirement System shall void his or her retirement
23 by reimbursing the system in the full amount of his or her retirement
24 allowance payments received, including any health insurance benefits
25 paid to or on behalf of the member.
- 26 2. Within twelve (12) months of the date of the final order of the Personnel
27 Board, the Kentucky Commission on Human Rights, or the court, the

1 member shall repay the system the full amount of his or her retirement
2 allowance payments and health insurance benefits by lump sum or enter
3 into an agreement with the Authority for repayment by installments.

4 3. Once the system has been fully reimbursed for the benefits paid to the
5 member and on the member's behalf, additional contributions and
6 service credit based on the reinstated employment shall be added to the
7 member's account.

8 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
9 section shall no longer apply to a retired member who is reemployed in a
10 position covered by the same retirement system from which the member
11 retired. Reemployed retired members shall be treated as new members upon
12 reemployment. Any retired member whose reemployment date preceded
13 August 1, 1998, who does not elect, within sixty (60) days of notification by
14 the retirement systems, to remain under the provisions of subsections (1) to
15 (4) of this section shall be deemed to have elected to participate under this
16 subsection.

17 (b) A retired member whose disability retirement was discontinued pursuant to
18 KRS 61.615 and who is reemployed in one (1) of the systems administered by
19 the Kentucky Retirement Systems or County Employees Retirement System
20 prior to his or her normal retirement date shall have his or her accounts
21 combined upon termination for determining eligibility for benefits. If the
22 member is eligible for retirement, the member's service and creditable
23 compensation earned as a result of his or her reemployment shall be used in
24 the calculation of benefits, except that the member's final compensation shall
25 not be less than the final compensation last used in determining his or her
26 retirement allowance. The member shall not change beneficiary or payment
27 option designations. This provision shall apply to members reemployed on or

1 after August 1, 1998.

2 (8) If a retired member accepts employment or begins serving as a volunteer with an
3 employer participating in the systems administered by Kentucky Retirement
4 Systems or County Employees Retirement System within twelve (12) months of his
5 or her retirement date, the retired member shall notify the Authority and the
6 participating employer shall submit the information required or requested by the
7 Authority to confirm the individual's employment or volunteer status. The retired
8 member shall not be required to notify the Authority regarding any employment or
9 volunteer service with a participating agency that is accepted after twelve (12)
10 months following his or her retirement date.

11 (9) If the retired member is under a contract to provide services as an independent
12 contractor or leased employee to an employer participating in the systems
13 administered by Kentucky Retirement Systems or County Employees Retirement
14 System within twelve (12) months of his or her retirement date, the member shall
15 submit a copy of that contract to the Authority, and the Authority shall determine if
16 the member is an independent contractor or leased employee for purposes of
17 retirement benefits. The retired member and the participating employer shall submit
18 the information required or requested by the Authority to confirm the individual's
19 status as an independent contractor or leased employee. The retired member shall
20 not be required to notify the Authority regarding any services entered into as an
21 independent contractor or leased employee with a participating agency that the
22 employee enters into after twelve (12) months following his or her retirement date.

23 (10) If a member is receiving a retirement allowance, or has filed the forms required for
24 a retirement allowance, and is employed within one (1) month of the member's
25 initial retirement date in a position that is required to participate in the same
26 retirement system from which the member retired, the member's retirement shall be
27 voided and the member shall repay to the retirement system all benefits received.

1 The member shall contribute to the member account established for him or her prior
2 to his or her voided retirement. The retirement allowance for which the member
3 shall be eligible upon retirement shall be determined by total service and creditable
4 compensation.

5 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
6 department which participates in more than one (1) retirement system and is
7 reemployed within one (1) month of his or her initial retirement date by the
8 same department in a position participating in another retirement system, the
9 retired member's retirement allowance shall be suspended for the first month
10 of his or her retirement, and the member shall repay to the retirement system
11 all benefits received for the month.

12 (b) A retired member of the County Employees Retirement System who after
13 initial retirement is hired by the county from which the member retired shall
14 be considered to have been hired by the same employer.

15 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
16 nonhazardous member who retired prior to age sixty-five (65), is reemployed
17 within six (6) months of the member's termination by the same employer, the
18 member shall obtain from his or her previous and current employers a copy of
19 the job description established by the employers for the position and a
20 statement of the duties performed by the member for the position from which
21 he or she retired and for the position in which he or she has been reemployed.

22 (b) The job descriptions and statements of duties shall be filed with the retirement
23 office.

24 (13) If the retirement system determines that the retired member has been employed in a
25 position with the same principal duties as the position from which the member
26 retired:

27 (a) The member's retirement allowance shall be suspended during the period that

- 1 begins on the month in which the member is reemployed and ends six (6)
2 months after the member's termination;
- 3 (b) The retired member shall repay to the retirement system all benefits paid from
4 systems administered by Kentucky Retirement Systems or County Employees
5 Retirement System under reciprocity, including medical insurance benefits,
6 that the member received after reemployment began;
- 7 (c) Upon termination, or subsequent to expiration of the six (6) month period
8 from the date of termination, the retired member's retirement allowance based
9 on his or her initial retirement account shall no longer be suspended, and the
10 member shall receive the amount to which he or she is entitled, including an
11 increase as provided by KRS 61.691;
- 12 (d) Except as provided in subsection (7) of this section, if the position in which a
13 retired member is employed after initial retirement is a regular full-time
14 position, the retired member shall contribute to a second member account
15 established for him or her in the retirement system. Service credit gained after
16 the member's date of reemployment shall be credited to the second member
17 account; and
- 18 (e) Upon termination, the retired member shall be entitled to benefits payable
19 from his or her second retirement account.
- 20 (14) (a) If the retirement system determines that the retired member has not been
21 reemployed in a position with the same principal duties as the position from
22 which he or she retired, the retired member shall continue to receive his or her
23 retirement allowance.
- 24 (b) If the position is a regular full-time position, the member shall contribute to a
25 second member account in the retirement system.
- 26 (15) (a) If a retired member is reemployed at least one (1) month after initial
27 retirement in a different position, or at least six (6) months after initial

1 retirement in the same position, and prior to normal retirement age, the retired
2 member shall contribute to a second member account in the retirement system
3 and continue to receive a retirement allowance from the first member account.

4 (b) Service credit gained after reemployment shall be credited to the second
5 member account. Upon termination, the retired member shall be entitled to
6 benefits payable from the second member account.

7 (16) A retired member who is reemployed and contributing to a second member account
8 shall not be eligible to purchase service credit under any of the provisions of KRS
9 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he or she was
10 eligible to purchase prior to his or her initial retirement.

11 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
12 section, the following shall apply to retired members who are reemployed by an
13 agency participating in one (1) of the systems administered by Kentucky
14 Retirement Systems or County Employees Retirement System on or after
15 September 1, 2008:

16 (a) If a member is receiving a retirement allowance from one (1) of the systems
17 administered by Kentucky Retirement Systems or County Employees
18 Retirement System, or has filed the forms required to receive a retirement
19 allowance from one (1) of the systems administered by Kentucky Retirement
20 Systems or County Employees Retirement System, and is employed in a
21 regular full-time position required to participate in one (1) of the systems
22 administered by Kentucky Retirement Systems or County Employees
23 Retirement System or is employed in a position that is not considered regular
24 full-time with an agency participating in one (1) of the systems administered
25 by Kentucky Retirement Systems or County Employees Retirement System
26 within one (1) month following the member's initial retirement date, the
27 member's retirement shall be voided, and the member shall repay to the

1 retirement system all benefits received, including any health insurance
2 benefits. If the member is returning to work in a regular full-time position
3 required to participate in one (1) of the systems administered by Kentucky
4 Retirement Systems:

5 1. The member shall contribute to a member account established for him or
6 her in one (1) of the systems administered by Kentucky Retirement
7 Systems or County Employees Retirement System, and employer
8 contributions shall be paid on behalf of the member by the participating
9 employer; and

10 2. Upon subsequent retirement, the member shall be eligible for a
11 retirement allowance based upon total service and creditable
12 compensation, including any additional service or creditable
13 compensation earned after his or her initial retirement was voided;

14 (b) If a member is receiving a retirement allowance from one (1) of the systems
15 administered by Kentucky Retirement Systems or County Employees
16 Retirement System and is employed in a regular full-time position required to
17 participate in one (1) of the systems administered by Kentucky Retirement
18 Systems or County Employees Retirement System after a one (1) month
19 period following the member's initial retirement date, the member may
20 continue to receive his or her retirement allowance during the period of
21 reemployment subject to the following provisions:

22 1. If a member is reemployed by a participating agency within twelve (12)
23 months of the member's retirement date, the participating agency shall
24 certify in writing on a form prescribed by the Authority that no
25 prearranged agreement existed between the employee and agency prior
26 to the employee's retirement for the employee to return to work with the
27 participating agency. If an elected official is reelected to a new term of

1 office in the same position as the elected official held prior to retirement
2 and takes office within twelve (12) months of his or her retirement date,
3 he or she shall be deemed by the Authority as having a prearranged
4 agreement under the provisions of this subparagraph and shall have his
5 or her retirement voided. If the participating agency fails to complete the
6 certification, the member's retirement shall be voided and the provisions
7 of paragraph (a) of this subsection shall apply to the member and the
8 employer. Employment that is accepted by the retired member after
9 twelve (12) months following the member's retirement date shall not
10 constitute a prearranged agreement under this paragraph;

11 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
12 the contrary, the member shall not contribute to the systems and shall
13 not earn any additional benefits for any work performed during the
14 period of reemployment;

15 3. Except as provided by KRS 70.291 to 70.293, 95.022, Section 1 of this
16 Act, and 164.952 and except for any retiree employed as a school
17 resource officer as defined by KRS 158.441 or as a Kentucky guardian
18 as defined by KRS 158.4431, the employer shall pay employer
19 contributions as specified by KRS 61.565, 61.702, and 78.635, as
20 applicable, on all creditable compensation earned by the employee
21 during the period of reemployment. The additional contributions paid
22 shall be used to reduce the unfunded actuarial liability of the systems;
23 and

24 4. Except as provided by KRS 70.291 to 70.293, 95.022, Section 1 of this
25 Act, and 164.952 and except for any retiree employed as a school
26 resource officer as defined by KRS 158.441 or as a Kentucky guardian
27 as defined by KRS 158.4431, the employer shall be required to

1 reimburse the systems for the cost of the health insurance premium paid
2 by the systems to provide coverage for the retiree, not to exceed the cost
3 of the single premium. Effective July 1, 2015, local school boards shall
4 not be required to pay the reimbursement required by this subparagraph
5 for retirees employed by the board for eighty (80) days or less during the
6 fiscal year. Effective August 1, 2024, the Department of Education shall
7 pay for the health reimbursements required by this subparagraph for a
8 retiree who participated in a hazardous position prior to July 1, 2003, in
9 one (1) of the systems administered by the Kentucky Retirement
10 Systems or the County Employees Retirement System, and who is
11 reemployed by a local school board;

12 (c) Notwithstanding paragraphs (a) and (b) of this subsection, a retired member
13 who qualifies as a volunteer for an employer participating in one (1) of the
14 systems administered by Kentucky Retirement Systems or County Employees
15 Retirement System and who is receiving reimbursement of actual expenses, a
16 nominal fee for his or her volunteer services, or both, shall not be considered
17 an employee of the participating employer and shall not be subject to
18 paragraphs (a) and (b) of this subsection if:

- 19 1. Prior to the retired member's most recent retirement date, he or she did
20 not receive creditable compensation from the participating employer in
21 which the retired member is performing volunteer services;
- 22 2. Any reimbursement or nominal fee received prior to the retired
23 member's most recent retirement date has not been credited as creditable
24 compensation to the member's account or utilized in the calculation of
25 the retired member's benefits;
- 26 3. The retired member has not purchased or received service credit under
27 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for

1 service with the participating employer for which the retired member is
2 performing volunteer services; and

3 4. Other than the status of volunteer, the retired member does not become
4 an employee, leased employee, or independent contractor of the
5 employer for which he or she is performing volunteer services for a
6 period of at least twelve (12) months following the retired member's
7 most recent retirement date.

8 If a retired member, who provided volunteer services with a participating
9 employer under this paragraph violates any provision of this paragraph, then
10 he or she shall be deemed an employee of the participating employer as of the
11 date he or she began providing volunteer services and both the retired member
12 and the participating employer shall be subject to paragraphs (a) and (b) of
13 this subsection for the period of volunteer service;

14 (d) Notwithstanding any provision of this section, any mayor or member of a city
15 legislative body shall not be required to resign from his or her position as
16 mayor or as a member of the city legislative body in order to begin drawing
17 benefits from the systems administered by Kentucky Retirement Systems or
18 subject to any provision of this section as it relates solely to his or her service
19 as a mayor or member of the city legislative body if the mayor or member of a
20 city legislative body:

21 1. Has not participated in the County Employees Retirement System prior
22 to retirement, but is otherwise eligible to retire from the Kentucky
23 Employees Retirement System or the State Police Retirement System; or
24 2. Has been or is participating in the County Employees Retirement
25 System and is at least sixty-two (62) years of age. If a mayor or member
26 of a city legislative body who is at least sixty-two (62) years of age
27 retires from the systems administered by Kentucky Retirement Systems

1 but remains in office after his or her effective retirement date, the mayor
2 or member of the city legislative body shall not accrue any further
3 service credit or benefits in the systems administered by Kentucky
4 Retirement Systems for any employment occurring on or after the
5 effective retirement date;

6 (e) Notwithstanding any provision of this section, any current or future part-time
7 adjunct instructor for the Kentucky Fire Commission who has not participated
8 in the Kentucky Employees Retirement System prior to retirement, but who is
9 otherwise eligible to retire from the County Employees Retirement System,
10 shall not be:

- 11 1. Required to resign from his or her position as a part-time adjunct
12 instructor for the Kentucky Fire Commission in order to begin drawing
13 benefits from the County Employees Retirement System; or
- 14 2. Subject to any provision of this section as it relates solely to his or her
15 service as a part-time adjunct instructor for the Kentucky Fire
16 Commission;

17 (f) If a member is receiving a retirement allowance from any of the retirement
18 systems administered by the Kentucky Retirement Systems or County
19 Employees Retirement System and enters into a contract or becomes a leased
20 employee of an employer under contract with an employer participating in
21 one (1) of the systems administered by the Kentucky Retirement Systems or
22 County Employees Retirement System:

- 23 1. At any time following retirement, if the Authority determines the
24 employment arrangement does qualify as an independent contractor or
25 leased employee, the member may continue to receive his or her
26 retirement allowance during the period of the contract;
- 27 2. Within one (1) month following the member's initial retirement date, if

1 the Authority determines the employment arrangement does not qualify
2 as an independent contractor or leased employee, the member's
3 retirement shall be voided in accordance with paragraph (a) of this
4 subsection;

5 3. After one (1) month but within twelve (12) months following the
6 member's initial retirement, if the Authority determines the employment
7 arrangement does not qualify as an independent contractor or leased
8 employee and that a prearranged agreement existed between the member
9 and the agency for the member to return to work with the agency, the
10 member's retirement shall be voided in accordance with paragraph (a) of
11 this subsection;

12 4. After a twelve (12) month period following the member's initial
13 retirement, the member may continue to receive his or her retirement
14 allowance during the period of the contract and the member shall not be
15 required to notify the system or submit any documentation for purposes
16 of this section to the system; and

17 5. After twelve (12) months or more following the retired member's
18 retirement date, the initiation of a contract or the initial date of the
19 leased employment of a retired member by a participating agency shall
20 not constitute a prearranged agreement under this subsection; and

21 (g) The Authority shall issue a final determination regarding a certification of the
22 absence of a prearranged agreement or the retired member's qualification as
23 an independent contractor or leased employee as required under this section
24 no later than thirty (30) days after the retired member and participating
25 employer provide all required forms and additional information required by
26 the Authority.

27 (18) The Authority shall promulgate administrative regulations to implement the

1 requirements of this section, including incorporating by reference board-prescribed
2 forms that a retired member and participating agency shall provide the systems
3 under subsections (8), (9), and (17) of this section.

4 ➔Section 3. KRS 61.702 is amended to read as follows:

5 (1) As used in~~For purposes of~~ this section:

6 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
7 any one (1) or more of the following:

- 8 1. Any hospital and medical expense policy or certificate, provider-
9 sponsored integrated health delivery network, self-insured medical plan,
10 health maintenance organization contract, or other health benefit plan;
- 11 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
12 reimbursement arrangement or a similar account as may be permitted by
13 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
14 discretion, may reimburse any medical expense permissible under 26
15 U.S.C. sec. 213; or
- 16 3. A medical insurance reimbursement program established by the board
17 through the promulgation of administrative regulation under which
18 members purchase individual health insurance coverage through a health
19 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;

20 (b) "Monthly contribution rate" is the amount determined by the board based
21 upon the requirements of subsection (4)(a) to (d) of this section, except that
22 for members who began participating in the system on or after July 1, 2003,
23 the term shall mean the amount determined in subsection (4)(e) of this
24 section; and

25 (c) "Months of service" means the total months of combined service used to
26 determine benefits under the system, except service added to determine
27 disability benefits or service otherwise prohibited from being used to

1 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to
2 61.705 shall not be counted as "months of service." For current and former
3 employees of the Council on Postsecondary Education who were employed
4 prior to January 1, 1993, and who earn at least fifteen (15) years of service
5 credit in the Kentucky Employees Retirement System, "months of service"
6 shall also include vested service in another retirement system other than the
7 Kentucky Teachers' Retirement System sponsored by the Council on
8 Postsecondary Education.

- 9 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
10 or on a self-insured basis to provide a group hospital and medical
11 insurance plan coverage for:
- 12 a. Present and future recipients of a retirement allowance from the
13 Kentucky Employees Retirement System and the State Police
14 Retirement System; and
 - 15 b. The spouse and each qualified dependent of a recipient who is a
16 former member or the beneficiary, provided the spouse and
17 dependent meet the requirements to participate in the hospital and
18 medical insurance plans established, contracted, or authorized by
19 the system.
- 20 2. Any recipient who chooses coverage under a hospital and medical
21 insurance plan shall pay, by payroll deduction from the retirement
22 allowance, electronic funds transfer, or by another method, the
23 difference between the premium cost of the hospital and medical
24 insurance plan coverage selected and the monthly contribution rate to
25 which he or she would be entitled under this section.
- 26 (b) 1. For present and future recipients of a retirement allowance from the
27 system who are not eligible for Medicare and for those recipients

1 described in subparagraph 3.b. of this paragraph, the board may
2 authorize these participants to be included in the Kentucky Employees
3 Health Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
4 benefits for recipients in the plan equal to those provided to state
5 employees having the same Medicare hospital and medical insurance
6 eligibility status. Notwithstanding the provisions of any other statute
7 except subparagraph 3.b. of this paragraph, system recipients shall be
8 included in the same class as current state employees for purposes of
9 determining medical insurance policies and premiums in the Kentucky
10 Employees Health Plan as provided by KRS 18A.225 to 18A.2287.

11 2. Regardless of age, if a recipient or the spouse or dependent child of a
12 recipient who elects coverage becomes eligible for Medicare, he or she
13 shall participate in the plans offered by the systems for Medicare
14 eligible recipients. Individuals participating in the Medicare eligible
15 plans may be required to obtain and pay for Medicare Part A and Part B
16 coverage, in order to participate in the Medicare eligible plans offered
17 by the system.

18 3. The system shall continue to provide the same hospital and medical
19 insurance plan coverage for recipients and qualifying dependents after
20 the age of sixty-five (65) as before the age of sixty-five (65), if:

- 21 a. The recipient is not eligible for Medicare coverage; or
22 b. The recipient would otherwise be eligible for Medicare coverage
23 but is subject to the Medicare Secondary Payer Act under 42
24 U.S.C. sec. 1395y(b) and has been reemployed by a participating
25 agency which offers the recipient a hospital and medical insurance
26 benefit or by a participating agency which is prevented from
27 offering or which does not offer a hospital and medical benefit to

1 the recipient as a condition of reemployment under KRS 70.293,
2 95.022, Section 1 of this Act, or 164.952. Individuals who are
3 eligible, pursuant to this subdivision, to be included in the
4 Kentucky Employees Health Plan as provided by KRS 18A.225 to
5 18A.2287 may be rated as a separate class from other eligible
6 employees and retirees for the purpose of determining medical
7 insurance premiums.

8 (c) For recipients of a retirement allowance who are not eligible for the same
9 level of hospital and medical benefits as recipients living in Kentucky having
10 the same Medicare hospital and medical insurance eligibility status, the board
11 shall provide a medical insurance reimbursement plan as described in
12 subsection (6) of this section.

13 (d) Notwithstanding anything in KRS Chapter 16 or 61 to the contrary, the board
14 of trustees, in its discretion, may take necessary steps to ensure compliance
15 with 42 U.S.C. ~~sec. [secs.]~~ 300bb-1 et seq.

16 (3) (a) Each employer participating in the Kentucky Employees Retirement System
17 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or
18 61.510 to 61.705 shall contribute to the insurance trust fund established under
19 KRS 61.701 the amount necessary to provide the monthly contribution rate as
20 provided for under this section. Such employer contribution rate shall be
21 developed by appropriate actuarial method as a part of the determination of
22 each respective employer contribution rate determined under KRS 61.565.

23 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
24 from the creditable compensation of each member whose membership
25 date begins on or after September 1, 2008, an amount equal to one
26 percent (1%) of the member's creditable compensation. The deducted
27 amounts shall, at the discretion of the board, be credited to accounts

1 established pursuant to 26 U.S.C. sec. 401(h), within the funds
2 established in KRS 16.510 and 61.515, or the insurance trust fund
3 established under KRS 61.701. Notwithstanding the provisions of this
4 paragraph, a transfer of assets between the accounts established pursuant
5 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510
6 and 61.515, and the insurance trust fund established under KRS 61.701
7 shall not be allowed.

8 2. The employer shall file the contributions as provided by subparagraph 1.
9 of this paragraph at the retirement office in accordance with KRS
10 61.675. Any interest or penalties paid on any delinquent contributions
11 shall be credited to accounts established pursuant to 26 U.S.C. sec.
12 401(h), within the funds established in KRS 16.510 and 61.515, or the
13 insurance trust fund established under KRS 61.701. Notwithstanding
14 any minimum compensation requirements provided by law, the
15 deductions provided by this paragraph shall be made, and the
16 compensation of the member shall be reduced accordingly.

17 3. Each employer shall submit payroll reports, contributions lists, and other
18 data as may be required by administrative regulation promulgated by the
19 board of trustees in accordance with~~[pursuant to]~~ KRS Chapter 13A.

20 4. Every member shall be deemed to consent and agree to the deductions
21 made pursuant to this paragraph, and the payment of salary or
22 compensation less the deductions shall be a full and complete discharge
23 of all claims for services rendered by the person during the period
24 covered by the payment, except as to any benefits provided by KRS
25 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to
26 participate in, or choose the contribution amount to accounts established
27 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS

1 16.510 and 61.515, or the insurance trust fund established under KRS
2 61.701. The member shall have no option to receive the contribution
3 required by this paragraph directly instead of having the contribution
4 paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the
5 funds established in KRS 16.510 and 61.515, or the insurance trust fund
6 established under KRS 61.701. No member may receive a rebate or
7 refund of contributions. If a member establishes a membership date
8 prior to September 1, 2008, pursuant to KRS 61.552(2) or (3), then this
9 paragraph shall not apply to the member and all contributions previously
10 deducted in accordance with this paragraph shall be refunded to the
11 member without interest. The contribution made pursuant to this
12 paragraph shall not act as a reduction or offset to any other contribution
13 required of a member or recipient under KRS 16.505 to 16.652 or
14 61.510 to 61.705.

15 5. The board of trustees, at its discretion, may direct that the contributions
16 required by this paragraph be accounted for within accounts established
17 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
18 16.510 and 61.515, or the insurance trust fund established under KRS
19 61.701, through the use of separate accounts.

20 (4) (a) The premium required to provide hospital and medical insurance plan
21 coverage under this section shall be paid wholly or partly from funds
22 contributed by:

- 23 1. The recipient of a retirement allowance, by payroll deduction from his
24 or her retirement allowance, or by other method;
- 25 2. The insurance trust fund established under KRS 61.701 or accounts
26 established pursuant to 26 U.S.C. sec. 401(h) within the funds
27 established in KRS 16.510 and 61.515;

1 3. Another state-administered retirement system, including the County
2 Employees Retirement System, under a reciprocal arrangement, except
3 that any portion of the premium paid from the funds specified by
4 subparagraph 2. of this paragraph under a reciprocal agreement shall not
5 exceed the amount that would be payable under this section if all the
6 member's service were in the systems administered by the Kentucky
7 Retirement Systems. If the board provides for cross-referencing of
8 insurance premiums, the employer's contribution for the working
9 member or spouse shall be applied toward the premium, and the
10 insurance trust fund established under KRS 61.701 or accounts
11 established pursuant to 26 U.S.C. sec. 401(h) within the funds
12 established in KRS 16.510 and 61.515 shall pay the balance; or

13 4. A combination of the fund sources described by subparagraphs 1. to 3.
14 of this paragraph.

15 Group rates under the hospital and medical insurance plan shall be made
16 available to the spouse, each dependent child, and each disabled child,
17 regardless of the disabled child's age, of a recipient who is a former member
18 or the beneficiary, if the premium for the hospital and medical insurance for
19 the spouse, each dependent child, and each disabled child, or beneficiary is
20 paid by payroll deduction from the retirement allowance, electronic funds
21 transfer, or by another method. For purposes of this subsection only, a child
22 shall be considered disabled if he or she has been determined to be eligible for
23 federal Social Security disability benefits or meets the dependent disability
24 standard established by the Department of Employee Insurance in the
25 Personnel Cabinet.

26 (b) For a member who began participating in the system prior to July 1, 2003, the
27 monthly contribution rate shall be paid by the system from the funds specified

1 under paragraph (a)2. of this subsection and shall be equal to a percentage of
2 the single premium to cover the retired member as follows:

- 3 1. One hundred percent (100%) of the monthly premium for single
4 coverage shall be paid for a retired member who had two hundred forty
5 (240) months of service or more upon retirement or for a retired member
6 who when he or she was an employee became disabled as a direct result
7 of an act in line of duty as defined in KRS 16.505 or as a result of a
8 duty-related injury as defined in KRS 61.621;
- 9 2. Seventy-five percent (75%) of the monthly premium for single coverage
10 shall be paid for a retired member who had less than two hundred forty
11 (240) months of service but at least one hundred eighty (180) months of
12 service upon retirement, provided such retired member agrees to pay the
13 remaining twenty-five percent (25%) by payroll deduction from his or
14 her retirement allowance, electronic funds transfer, or by another
15 method;
- 16 3. Fifty percent (50%) of the monthly premium for single coverage shall be
17 paid for a retired member who had less than one hundred eighty (180)
18 months of service but had at least one hundred twenty (120) months of
19 service upon retirement, provided such retired member agrees to pay the
20 remaining fifty percent (50%) by payroll deduction from his or her
21 retirement allowance, electronic funds transfer, or by another method; or
- 22 4. Twenty-five percent (25%) of the monthly premium for single coverage
23 shall be paid for a retired member who had less than one hundred twenty
24 (120) months of service but had at least forty-eight (48) months of
25 service upon retirement, provided such retired member agrees to pay the
26 remaining seventy-five percent (75%) by payroll deduction from his or
27 her retirement allowance, electronic funds transfer, or by another

1 method.

2 (c) Notwithstanding paragraph (b) of this subsection, for a member participating
3 in the system prior to July 1, 2003, who:

4 1. Dies as a direct result of an act in line of duty as defined in KRS 16.505
5 or dies as a result of a duty-related injury as defined in KRS 61.621, the
6 monthly premium shall be paid for his or her spouse so long as the
7 spouse remains eligible for a monthly retirement benefit;

8 2. Becomes totally and permanently disabled as defined in KRS 16.582 as
9 a direct result of an act in line of duty as defined in KRS 16.505 or
10 becomes disabled as a result of a duty-related injury as defined in KRS
11 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
12 monthly premium shall be paid for his or her spouse so long as the
13 member and the spouse individually remain eligible for a monthly
14 retirement benefit; and

15 3. Dies as a direct result of an act in line of duty as defined in KRS 16.505,
16 dies as a result of a duty-related injury as defined in KRS 61.621,
17 becomes totally and permanently disabled as defined in KRS 16.582 as a
18 direct result of an act in line of duty as defined in KRS 16.505, or
19 becomes disabled as a result of a duty-related injury as defined in KRS
20 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
21 monthly premium shall be paid for each dependent child as defined in
22 KRS 16.505, so long as the member remains eligible for a monthly
23 retirement benefit, unless deceased, and each dependent child
24 individually remains eligible under KRS 16.505.

25 (d) 1. For a member who began participating in the system prior to July 1,
26 2003, who was determined to be in a hazardous position in the Kentucky
27 Employees Retirement System or in a position in the State Police

1 Retirement System, or who is receiving a retirement allowance based on
2 General Assembly service, the funds specified under paragraph (a)2. of
3 this subsection shall also pay a percentage of the monthly contribution
4 rate sufficient to fund the premium costs for hospital and medical
5 insurance coverage for the spouse and for each dependent child of a
6 recipient.

7 2. The percentage of the monthly contribution rate paid for the spouse and
8 each dependent child of a recipient who was in a hazardous position or
9 who is receiving a retirement allowance based on General Assembly
10 service in accordance with subparagraph 1. of this paragraph shall be
11 based solely on the member's service in a hazardous position using the
12 formula in paragraph (b) of this subsection.

13 (e) For members who begin participating in the system on or after July 1, 2003:

14 1. Participation in the insurance benefits provided under this section shall
15 not be allowed until the member has earned at least one hundred twenty
16 (120) months of service in the state-administered retirement systems,
17 except that for members who begin participating in the system on or
18 after September 1, 2008, participation in the insurance benefits provided
19 under this section shall not be allowed until the member has earned at
20 least one hundred eighty (180) months of service credited under KRS
21 16.543(1) or 61.543(1), or another state-administered retirement system.

22 2. A member who meets the minimum service requirements as provided by
23 subparagraph 1. of this paragraph shall upon retirement be eligible for
24 the following monthly contribution rate to be paid on his or her behalf,
25 or on behalf of the spouse or dependent of a member with service in a
26 hazardous position, from the funds specified under paragraph (a)2. of
27 this subsection:

- 1 a. For members with service in a nonhazardous position, a monthly
2 insurance contribution of ten dollars (\$10) for each year of service
3 as a participating employee in a nonhazardous position;
- 4 b. For members with service in a hazardous position or who
5 participate in the State Police Retirement System, a monthly
6 insurance contribution of fifteen dollars (\$15) for each year of
7 service as a participating employee in a hazardous position or the
8 State Police Retirement System; and
- 9 c. Upon the death of the retired member, the beneficiary, if the
10 beneficiary is the member's spouse, shall be entitled to a monthly
11 insurance contribution of ten dollars (\$10) for each year of service
12 the member attained as a participating employee in a hazardous
13 position.
- 14 3. The minimum service requirement to participate in benefits as provided
15 by subparagraph 1. of this paragraph shall be waived for a member who
16 receives a satisfactory determination of a hazardous disability that is a
17 direct result of an act in line of duty as defined in KRS 16.505, and the
18 member shall be entitled to the benefits payable under this subsection as
19 though the member had twenty (20) years of service in a hazardous
20 position.
- 21 4. The minimum service required to participate in benefits as provided by
22 subparagraph 1. of this paragraph shall be waived for a member who is
23 disabled as a result of a duty-related injury as defined in KRS 61.621
24 and is eligible for the benefits provided by KRS 61.621(5)(b), and the
25 member shall be entitled to the benefits payable under this subsection as
26 though the member had twenty (20) years of service in a nonhazardous
27 position.

- 1 5. Notwithstanding the provisions of this paragraph, the minimum service
2 requirement to participate in benefits as provided by subparagraph 1. of
3 this paragraph shall be waived for a for a member who dies as a direct
4 result of an act in line of duty as defined in KRS 16.505, who becomes
5 totally and permanently disabled as defined in KRS 16.582 as a direct
6 result of an act in line of duty as defined in KRS 16.505, who dies as a
7 result of a duty-related injury as defined in KRS 61.621, or who
8 becomes disabled as a result of a duty-related injury as defined in KRS
9 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),
10 and the premium for the member, the member's spouse, and for each
11 dependent child as defined in KRS 16.505 shall be paid in full by the
12 systems so long as the member, member's spouse, or dependent child
13 individually remains eligible for a monthly retirement benefit.
- 14 6. Except as provided by subparagraph 5. of this paragraph, the monthly
15 insurance contribution amount shall be increased:
- 16 a. On July 1 of each year by one and one-half percent (1.5%). The
17 increase shall be cumulative and shall continue to accrue after the
18 member's retirement for as long as a monthly insurance
19 contribution is payable to the retired member or beneficiary but
20 shall not apply to any increase in the contribution attributable to
21 the increase specified by subdivision b. of this subparagraph; and
- 22 b. On January 1 of each year by five dollars (\$5) for members who
23 have accrued an additional full year of service as a participating
24 employee beyond the career threshold, subject to the following
25 restrictions:
- 26 i. The additional insurance contribution provided by this
27 subdivision shall only be applied to the monthly contribution

1 amounts provided under subparagraph 2.a. and b. of this
2 paragraph;

3 ii. The additional insurance contribution provided by this
4 subdivision shall only be payable towards the health plans
5 offered by the system to retirees who are not eligible for
6 Medicare or for reimbursements provided to retirees not
7 eligible for Medicare pursuant to subsection (6)(a)2. of this
8 section; and

9 iii. In order for the annual increase to occur as provided by this
10 subdivision, the funding level of retiree health benefits for
11 the system in which the employee is receiving the additional
12 insurance contribution shall be at least ninety percent (90%)
13 as of the most recent actuarial valuation and be projected by
14 the actuary to remain ninety percent (90%) for the year in
15 which the increase is provided.

16 7. The benefits of this paragraph provided to a member whose participation
17 begins on or after July 1, 2003, shall not be considered as benefits
18 protected by the inviolable contract provisions of KRS 16.652 or
19 61.692. The General Assembly reserves the right to suspend or reduce
20 the benefits conferred in this paragraph if in its judgment the welfare of
21 the Commonwealth so demands.

22 8. An employee whose membership date is on or after September 1, 2008,
23 who retires and is reemployed in a regular full-time position required to
24 participate in the system or the County Employees Retirement System
25 shall not be eligible for health insurance coverage or benefits provided
26 by this section and shall take coverage with his or her employing agency
27 during the period of reemployment in a regular full-time position.

- 1 9. As used in~~[For purposes of]~~ this paragraph:
- 2 a. "Career threshold" for a member with service in a nonhazardous
- 3 position means twenty-seven (27) years of service credited under
- 4 KRS 16.543(1), 61.543(1), 78.615(1), or another state-
- 5 administered retirement system and for a member with service in a
- 6 hazardous position means the service requirements specified by
- 7 KRS 16.577(2) or (3) or 16.583(6)(b), as applicable; and
- 8 b. "Funding level" means the actuarial value of assets divided by the
- 9 actuarially accrued liability expressed as a percentage that is
- 10 determined and reported by the system's actuary in the annual
- 11 actuarial valuation.
- 12 (f) For members with service in another state-administered retirement system
- 13 who select hospital and medical insurance plan coverage through the system:
- 14 1. The system shall compute the member's combined service, including
- 15 service credit in another state-administered retirement system, and
- 16 calculate the portion of the member's premium monthly contribution rate
- 17 to be paid by the funds specified under paragraph (a)2. of this subsection
- 18 according to the criteria established in paragraphs (a) to (e) of this
- 19 subsection. Each state-administered retirement system shall pay
- 20 annually to the insurance trust fund established under KRS 61.701 the
- 21 portion of the system's cost of the retiree's monthly contribution for
- 22 single coverage for hospital and medical insurance plan which shall be
- 23 equal to the percentage of the member's number of months of service in
- 24 the other state-administered retirement plan divided by his or her total
- 25 combined service and in conjunction with the reciprocal agreement
- 26 established between the system and the other state-administered
- 27 retirement systems. The amounts paid by the other state-administered

- 1 retirement plans and by the Kentucky Retirement Systems from funds
2 specified under paragraph (a)2. of this subsection shall not be more than
3 one hundred percent (100%) of the monthly contribution adopted by the
4 respective boards of trustees;
- 5 2. A member may not elect coverage for hospital and medical benefits
6 through more than one (1) of the state-administered retirement systems;
7 and
- 8 3. A state-administered retirement system shall not pay any portion of a
9 member's monthly contribution for medical insurance unless the
10 member is a recipient or annuitant of the plan.
- 11 (5) Premiums paid for hospital and medical insurance coverage procured under
12 authority of this section shall be exempt from any premium tax which might
13 otherwise be required under KRS Chapter 136. The payment of premiums by the
14 funds described by subsection (4)(a)2. of this section shall not constitute taxable
15 income to an insured recipient. No commission shall be paid for hospital and
16 medical insurance procured under authority of this section.
- 17 (6) (a) The board shall promulgate an administrative regulation to establish a medical
18 insurance reimbursement plan to provide reimbursement for hospital and
19 medical insurance plan premiums of recipients of a retirement allowance who:
- 20 1. Are not eligible for the same level of hospital and medical benefits as
21 recipients living in Kentucky and having the same Medicare hospital
22 and medical insurance eligibility status; or
- 23 2. Are eligible for retiree health subsidies as provided by subsection (4)(e)
24 of this section, except for those recipients eligible for full premium
25 subsidies under subsection (4)(e)5. of this section. The reimbursement
26 program as provided by this subparagraph shall be available to the
27 recipient regardless of the hospital and medical insurance plans offered

1 by the systems.

2 (b) An eligible recipient shall file proof of payment for hospital and medical
3 insurance plan coverage with the retirement office. Reimbursement to eligible
4 recipients shall be made on a quarterly basis. The recipient shall be eligible
5 for reimbursement of substantiated medical insurance premiums for an
6 amount not to exceed the total monthly contribution rate determined under
7 subsection (4) of this section.

8 (c) For purposes of recipients described by paragraph (a)1. of this subsection, the
9 plan shall not be made available if all recipients are eligible for the same
10 coverage as recipients living in Kentucky.

11 ➔Section 4. KRS 78.5536 is amended to read as follows:

12 (1) As used in~~[For purposes of]~~ this section:

13 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
14 any one (1) or more of the following:

15 1. Any hospital and medical expense policy or certificate, provider-
16 sponsored integrated health delivery network, self-insured medical plan,
17 health maintenance organization contract, or other health benefit plan;

18 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
19 reimbursement arrangement or a similar account as may be permitted by
20 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
21 discretion, may reimburse any medical expense permissible under 26
22 U.S.C. sec. 213; or

23 3. A medical insurance reimbursement program established by the board
24 through the promulgation of administrative regulation under which
25 members purchase individual health insurance coverage through a health
26 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;

27 (b) "Monthly contribution rate" shall be the amount determined by the board

1 based upon the requirements of subsection (4)(a) to (d) of this section, except
2 that for members who began participating in the system on or after July 1,
3 2003, the term shall mean the amount determined in subsection (4)(e) of this
4 section; and

5 (c) "Months of service" shall mean the total months of combined service used to
6 determine benefits under the system, except service added to determine
7 disability benefits or service otherwise prohibited from being used to
8 determine retiree health benefits under KRS 78.510 to 78.852 shall not be
9 counted as "months of service."

10 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
11 or on a self-insured basis to provide a group hospital and medical
12 insurance plan coverage for:

13 a. Present and future recipients of a retirement allowance from the
14 County Employees Retirement System; and

15 b. The spouse and each qualified dependent of a recipient who is a
16 former member or the beneficiary, provided the spouse and
17 dependent meet the requirements to participate in the hospital and
18 medical insurance plans established, contracted, or authorized by
19 the system.

20 2. Any recipient who chooses coverage under a hospital and medical
21 insurance plan shall pay, by payroll deduction from the retirement
22 allowance, electronic funds transfer, or by another method, the
23 difference between the premium cost of the hospital and medical
24 insurance plan coverage selected and the monthly contribution rate to
25 which he or she would be entitled under this section.

26 (b) 1. For present and future recipients of a retirement allowance from the
27 system who are not eligible for Medicare and for those recipients

1 described in subparagraph 3.b. of this paragraph, the board may
2 authorize these participants to be included in the Kentucky Employees
3 Health Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
4 benefits for recipients in the plan equal to those provided to state
5 employees having the same Medicare hospital and medical insurance
6 eligibility status. Notwithstanding the provisions of any other statute
7 except subparagraph 3.b. of this paragraph, system recipients shall be
8 included in the same class as current state employees for purposes of
9 determining medical insurance policies and premiums in the Kentucky
10 Employees Health Plan as provided by KRS 18A.225 to 18A.2287.

11 2. Regardless of age, if a recipient or the spouse or dependent child of a
12 recipient who elects coverage becomes eligible for Medicare, he or she
13 shall participate in the plans offered by the systems for Medicare
14 eligible recipients. Individuals participating in the Medicare eligible
15 plans may be required to obtain and pay for Medicare Part A and Part B
16 coverage in order to participate in the Medicare eligible plans offered by
17 the system.

18 3. The system shall continue to provide the same hospital and medical
19 insurance plan coverage for recipients and qualifying dependents after
20 the age of sixty-five (65) as before the age of sixty-five (65), if:

- 21 a. The recipient is not eligible for Medicare coverage; or
22 b. The recipient would otherwise be eligible for Medicare coverage
23 but is subject to the Medicare Secondary Payer Act under 42
24 U.S.C. sec. 1395y(b) and has been reemployed by a participating
25 agency which offers the recipient a hospital and medical insurance
26 benefit or by a participating agency which is prevented from
27 offering or which does not offer a hospital and medical benefit to

1 the recipient as a condition of reemployment under KRS 70.293,
2 95.022, Section 1 of this Act, or 164.952. Individuals who are
3 eligible, pursuant to this subdivision, to be included in the
4 Kentucky Employees Health Plan as provided by KRS 18A.225 to
5 18A.2287 may be rated as a separate class from other eligible
6 employees and retirees for the purpose of determining medical
7 insurance premiums.

8 (c) For recipients of a retirement allowance who are not eligible for the same
9 level of hospital and medical benefits as recipients living in Kentucky having
10 the same Medicare hospital and medical insurance eligibility status, the board
11 shall provide a medical insurance reimbursement plan as described in
12 subsection (6) of this section.

13 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
14 trustees, in its discretion, may take necessary steps to ensure compliance with
15 42 U.S.C. sec. 300bb-1 et seq.

16 (3) (a) Each employer participating in the County Employees Retirement System as
17 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust fund
18 established by KRS 61.701 the amount necessary to provide the monthly
19 contribution rate as provided for under this section. Such employer
20 contribution rate shall be developed by appropriate actuarial method as a part
21 of the determination of each respective employer contribution rate determined
22 under KRS 78.635.

23 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
24 from the creditable compensation of each member whose membership
25 date begins on or after July 1, 2003, and who is subject to the benefits
26 provided under subsection (4)(e) of this section, an amount equal to one
27 percent (1%) of the member's creditable compensation if the member is

1 participating in a nonhazardous position and two percent (2%) of the
2 member's creditable compensation if the member is participating in a
3 hazardous position. The deducted amounts shall, at the discretion of the
4 board, be credited to accounts established pursuant to 26 U.S.C. sec.
5 401(h), within the funds established in KRS 78.520, or the insurance
6 trust fund established under KRS 61.701. Notwithstanding the
7 provisions of this paragraph, a transfer of assets between the accounts
8 established pursuant to 26 U.S.C. sec. 401(h), within the funds
9 established in KRS 78.520, and the insurance trust fund established
10 under KRS 61.701 shall not be allowed.

11 2. The employer shall file the contributions as provided by subparagraph 1.
12 of this paragraph at the retirement office in accordance with KRS
13 78.625. Any interest or penalties paid on any delinquent contributions
14 shall be credited to accounts established pursuant to 26 U.S.C. sec.
15 401(h), within the funds established in KRS 78.520, or the insurance
16 trust fund established under KRS 61.701. Notwithstanding any
17 minimum compensation requirements provided by law, the deductions
18 provided by this paragraph shall be made, and the compensation of the
19 member shall be reduced accordingly.

20 3. Each employer shall submit payroll reports, contributions lists, and other
21 data as may be required by administrative regulation promulgated by the
22 board of trustees in accordance with~~[pursuant to]~~ KRS Chapter 13A.

23 4. Every member shall be deemed to consent and agree to the deductions
24 made pursuant to this paragraph, and the payment of salary or
25 compensation less the deductions shall be a full and complete discharge
26 of all claims for services rendered by the person during the period
27 covered by the payment, except as to any benefits provided by KRS

1 78.510 to 78.852. No member may elect whether to participate in, or
2 choose the contribution amount to accounts established pursuant to 26
3 U.S.C. sec. 401(h) within the funds established in KRS 78.520, or the
4 insurance trust fund established under KRS 61.701. The member shall
5 have no option to receive the contribution required by this paragraph
6 directly instead of having the contribution paid to accounts established
7 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
8 78.520, or the insurance trust fund established under KRS 61.701. No
9 member may receive a rebate or refund of contributions. If a member
10 establishes a membership date prior to July 1, 2003, pursuant to KRS
11 61.552(2) or (3) or who is subject to the benefits provided under
12 subsection (4)(b) or (d) of this section, then this paragraph shall not
13 apply to the member and all contributions previously deducted in
14 accordance with this paragraph shall be refunded to the member without
15 interest. The contribution made pursuant to this paragraph shall not act
16 as a reduction or offset to any other contribution required of a member
17 or recipient under KRS 78.510 to 78.852.

18 5. The board of trustees, at its discretion, may direct that the contributions
19 required by this paragraph be accounted for within accounts established
20 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
21 78.520, or the insurance trust fund established under KRS 61.701,
22 through the use of separate accounts.

23 (4) (a) The premium required to provide hospital and medical insurance plan
24 coverage under this section shall be paid wholly or partly from funds
25 contributed by:

26 1. The recipient of a retirement allowance, by payroll deduction from his
27 or her retirement allowance, electronic funds transfer, or by other

1 method;

2 2. The insurance trust fund established by KRS 61.701 or accounts
3 established pursuant to 26 U.S.C. sec. 401(h) within the funds
4 established in KRS 78.520;

5 3. Another state-administered retirement system, including the systems
6 administered by Kentucky Retirement Systems, under a reciprocal
7 arrangement, except that any portion of the premium paid from the
8 funds specified by subparagraph 2. of this paragraph under a reciprocal
9 agreement shall not exceed the amount that would be payable under this
10 section if all the member's service were in the County Employees
11 Retirement System. If the board provides for cross-referencing of
12 insurance premiums, the employer's contribution for the working
13 member or spouse shall be applied toward the premium, and the
14 insurance trust fund established under KRS 61.701 or accounts
15 established pursuant to 26 U.S.C. sec. 401(h) within the funds
16 established in KRS 78.520, shall pay the balance; or

17 4. A combination of the fund sources described by subparagraphs 1. to 3.
18 of this paragraph.

19 Group rates under the hospital and medical insurance plan shall be made
20 available to the spouse, each dependent child, and each disabled child,
21 regardless of the disabled child's age, of a recipient who is a former member
22 or the beneficiary, if the premium for the hospital and medical insurance for
23 the spouse, each dependent child, and each disabled child, or beneficiary is
24 paid by payroll deduction from the retirement allowance, electronic funds
25 transfer, or by another method. For purposes of this subsection only, a child
26 shall be considered disabled if he or she has been determined to be eligible for
27 federal Social Security disability benefits or meets the dependent disability

1 standard established by the Department of Employee Insurance in the
2 Personnel Cabinet.

3 (b) For a member who began participating in the system prior to July 1, 2003, the
4 monthly contribution rate shall be paid by the system from the funds specified
5 under paragraph (a)2. of this subsection and shall be equal to a percentage of
6 the single premium to cover the retired member as follows:

- 7 1. One hundred percent (100%) of the monthly premium for single
8 coverage shall be paid for a retired member who had two hundred forty
9 (240) months of service or more upon retirement or for a retired member
10 who when he or she was an employee was disabled as a direct result of
11 an act in line of duty as defined in KRS 78.510(48) or as a result of a
12 duty-related injury as defined in KRS 61.621;
- 13 2. Seventy-five percent (75%) of the monthly premium for single coverage
14 shall be paid for a retired member who had less than two hundred forty
15 (240) months of service but at least one hundred eighty (180) months of
16 service upon retirement, provided such retired member agrees to pay the
17 remaining twenty-five percent (25%) by payroll deduction from his or
18 her retirement allowance, electronic funds transfer, or by another
19 method;
- 20 3. Fifty percent (50%) of the monthly premium for single coverage shall be
21 paid for a retired member who had less than one hundred eighty (180)
22 months of service but had at least one hundred twenty (120) months of
23 service upon retirement, provided such retired member agrees to pay the
24 remaining fifty percent (50%) by payroll deduction from his or her
25 retirement allowance, electronic funds transfer, or by another method; or
- 26 4. Twenty-five percent (25%) of the monthly premium for single coverage
27 shall be paid for a retired member who had less than one hundred twenty

1 (120) months of service but had at least forty-eight (48) months of
2 service upon retirement, provided such retired member agrees to pay the
3 remaining seventy-five percent (75%) by payroll deduction from his or
4 her retirement allowance, electronic funds transfer, or by another
5 method.

6 (c) Notwithstanding paragraph (b) of this subsection, for a member participating
7 in the system prior to July 1, 2003, who:

- 8 1. Dies as a direct result of an act in line of duty as defined in KRS 78.510
9 or dies as a result of a duty-related injury as defined in KRS 61.621, the
10 monthly premium shall be paid for his or her spouse so long as the
11 spouse remains eligible for a monthly retirement benefit;
- 12 2. Becomes totally and permanently disabled as defined in KRS 78.5524 as
13 a direct result of an act in line of duty as defined in KRS 78.510 or
14 becomes disabled as a result of a duty-related injury as defined in KRS
15 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
16 monthly premium shall be paid for his or her spouse so long as the
17 member and the spouse individually remain eligible for a monthly
18 retirement benefit; and
- 19 3. Dies as a direct result of an act in line of duty as defined in KRS 78.510,
20 dies as a result of a duty-related injury as defined in KRS 61.621,
21 becomes totally and permanently disabled as defined in KRS 78.5524 as
22 a direct result of an act in line of duty as defined in KRS 78.510, or
23 becomes disabled as a result of a duty-related injury as defined in KRS
24 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
25 monthly premium shall be paid for each dependent child as defined in
26 KRS 78.510, so long as the member remains eligible for a monthly
27 retirement benefit, unless deceased, and each dependent child

1 individually remains eligible under KRS 78.510.

2 (d) 1. For a member who began participating in the system prior to July 1,
3 2003, who was determined to be in a hazardous position in the County
4 Employees Retirement System, or who is receiving a retirement
5 allowance based on General Assembly service, the funds specified under
6 paragraph (a)2. of this subsection shall also pay a percentage of the
7 monthly contribution rate sufficient to fund the premium costs for
8 hospital and medical insurance coverage for the spouse and for each
9 dependent child of a recipient.

10 2. The percentage of the monthly contribution rate paid for the spouse and
11 each dependent child of a recipient who was in a hazardous position or
12 who is receiving a retirement allowance based on General Assembly
13 service in accordance with subparagraph 1. of this paragraph shall be
14 based solely on the member's service in a hazardous position using the
15 formula in paragraph (b) of this subsection, except that for any recipient
16 of a retirement allowance from the County Employees Retirement
17 System who was contributing to the system on January 1, 1998, for
18 service in a hazardous position, the percentage of the monthly
19 contribution shall be based on the total of hazardous service and any
20 nonhazardous service as a police or firefighter with the same agency, if
21 that agency was participating in the County Employees Retirement
22 System but did not offer hazardous duty coverage for its police and
23 firefighters at the time of initial participation.

24 (e) For members who begin participating in the system on or after July 1, 2003:

25 1. Participation in the insurance benefits provided under this section shall
26 not be allowed until the member has earned at least one hundred twenty
27 (120) months of service in the state-administered retirement systems,

- 1 except that for members who begin participating in the system on or
2 after September 1, 2008, participation in the insurance benefits provided
3 under this section shall not be allowed until the member has earned at
4 least one hundred eighty (180) months of service credited under KRS
5 78.615(1) or another state-administered retirement system;
- 6 2. A member who meets the minimum service requirements as provided by
7 subparagraph 1. of this paragraph shall upon retirement be eligible for
8 the following monthly contribution rate to be paid on his or her behalf,
9 or on behalf of the spouse or dependent of a member with service in a
10 hazardous position, from the funds specified under paragraph (a)2. of
11 this subsection:
- 12 a. For members with service in a nonhazardous position who do not
13 meet the career threshold, a monthly insurance contribution of ten
14 dollars (\$10) for each year of service as a participating employee
15 in a nonhazardous position;
- 16 b. For members with service in a nonhazardous position who meet
17 the career threshold, a monthly insurance contribution towards the
18 health plans offered to retirees who are not eligible for Medicare
19 of forty dollars (\$40) for each year of service as a participating
20 employee in a nonhazardous position and a monthly insurance
21 contribution towards the health plans offered to retirees who are
22 eligible for Medicare of ten dollars (\$10) for each year of service
23 as a participating employee in a nonhazardous position. The
24 monthly insurance contribution payable to retirees eligible for
25 Medicare under this subdivision shall be adjusted as necessary so
26 that it is equivalent to the monthly contribution amount computed
27 under subdivision a. of this subparagraph as adjusted by

- 1 subparagraph 6.a. of this paragraph;
- 2 c. For members with service in a hazardous position who do not meet
- 3 the career threshold, a monthly insurance contribution of fifteen
- 4 dollars (\$15) for each year of service as a participating employee
- 5 in a hazardous position;
- 6 d. For members with service in a hazardous position who meet the
- 7 career threshold, a monthly insurance contribution towards the
- 8 health plans offered to retirees who are not eligible for Medicare
- 9 of fifty dollars (\$50) for each year of service as a participating
- 10 employee in a hazardous position and a monthly insurance
- 11 contribution towards the health plans offered to retirees who are
- 12 eligible for Medicare of fifteen dollars (\$15) for each year of
- 13 service as a participating employee in a hazardous position. The
- 14 monthly insurance contribution payable to retirees eligible for
- 15 Medicare under this subdivision shall be adjusted as necessary so
- 16 that it is equivalent to the monthly contribution amount computed
- 17 under subdivision c. of this subparagraph as adjusted by
- 18 subparagraph 6.a. of this paragraph; and
- 19 e. Upon the death of the retired member, the beneficiary, if the
- 20 beneficiary is the member's spouse, shall be entitled to a monthly
- 21 insurance contribution of ten dollars (\$10) for each year of service
- 22 the member attained as a participating employee in a hazardous
- 23 position;
- 24 3. The minimum service requirement to participate in benefits as provided
- 25 by subparagraph 1. of this paragraph shall be waived for a member who
- 26 receives a satisfactory determination of a hazardous disability that is a
- 27 direct result of an act in line of duty as defined in KRS 78.510(48) and

- 1 the member shall be entitled to the benefits payable under this
2 subsection as though the member had twenty (20) years of service in a
3 hazardous position;
- 4 4. The minimum service required to participate in benefits as provided by
5 subparagraph 1. of this paragraph shall be waived for a member who is
6 disabled as a result of a duty-related injury as defined in KRS 61.621
7 and is eligible for the benefits provided by KRS 61.621(5)(b), and the
8 member shall be entitled to the benefits payable under this subsection as
9 though the member had twenty (20) years of service in a nonhazardous
10 position;
- 11 5. Notwithstanding the provisions of this paragraph, the minimum service
12 requirement to participate in benefits as provided by subparagraph 1. of
13 this paragraph shall be waived for a member who dies as a direct result
14 of an act in line of duty as defined in KRS 78.510(48), who becomes
15 totally and permanently disabled as defined in KRS 78.5524 as a direct
16 result of an act in line of duty as defined in KRS 78.510, who dies as a
17 result of a duty-related injury as defined in KRS 61.621, or who
18 becomes disabled as a result of a duty-related injury as defined in KRS
19 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),
20 and the premium for the member, the member's spouse, and for each
21 dependent child as defined in KRS 78.510 shall be paid in full by the
22 systems so long as the member, member's spouse, or dependent child
23 individually remains eligible for a monthly retirement benefit;
- 24 6. Except as provided by subparagraph 5. of this paragraph, the monthly
25 insurance contribution amount shall be increased:
- 26 a. On July 1 of each year by one and one-half percent (1.5%). The
27 increase shall be cumulative and shall continue to accrue after the

1 member's retirement for as long as a monthly insurance
2 contribution is payable to the retired member or beneficiary but
3 shall not apply to any increase in the contribution attributable to
4 the increase specified by subdivision b. of this subparagraph; and

5 b. On January 1 of each year by five dollars (\$5) for members who
6 have accrued an additional full year of service as a participating
7 employee beyond the career threshold, subject to the following
8 restrictions:

9 i. The additional insurance contribution provided by this
10 subdivision shall only be applied to the monthly contribution
11 amounts provided under subparagraph 2.b. and d. of this
12 paragraph;

13 ii. The additional insurance contribution provided by this
14 subdivision shall only be payable towards the health plans
15 offered by the system to retirees who are not eligible for
16 Medicare or for reimbursements provided to retirees not
17 eligible for Medicare pursuant to subsection (6)(a)2. of this
18 section; and

19 iii. In order for the annual increase to occur as provided by this
20 subdivision, the funding level of retiree health benefits for
21 the system in which the employee is receiving the additional
22 insurance contribution shall be at least ninety percent (90%)
23 as of the most recent actuarial valuation and be projected by
24 the actuary to remain ninety percent (90%) for the year in
25 which the increase is provided;

26 7. The benefits of this paragraph provided to a member whose participation
27 begins on or after July 1, 2003, shall not be considered as benefits

1 protected by the inviolable contract provisions of KRS 78.852. The
2 General Assembly reserves the right to suspend or reduce the benefits
3 conferred in this paragraph if in its judgment the welfare of the
4 Commonwealth so demands;

5 8. An employee whose membership date is on or after September 1, 2008,
6 who retires and is reemployed in a regular full-time position required to
7 participate in the system or the Kentucky Retirement Systems shall not
8 be eligible for health insurance coverage or benefits provided by this
9 section and shall take coverage with his or her employing agency during
10 the period of reemployment in a regular full-time position; and

11 9. As used in~~[For purposes of]~~ this paragraph:

12 a. "Career threshold" for a member with service in a nonhazardous
13 position means twenty-seven (27) years of service credited under
14 KRS 16.543(1), 61.543(1), 78.615(1), or another state-
15 administered retirement system and for a member with service in a
16 hazardous position means the service requirements specified by
17 KRS 78.5514(2)(a)2. or (3)(b), or 78.5516(6)(b), as applicable;
18 and

19 b. "Funding level" means the actuarial value of assets divided by the
20 actuarially accrued liability expressed as a percentage that is
21 determined and reported by the system's actuary in the annual
22 actuarial valuation.

23 (f) For members with service in another state-administered retirement system
24 who select hospital and medical insurance plan coverage through the system:

25 1. The system shall compute the member's combined service, including
26 service credit in another state-administered retirement system, and
27 calculate the portion of the member's premium monthly contribution rate

1 to be paid by the funds specified under paragraph (a)2. of this subsection
2 according to the criteria established in paragraphs (a) to (e) of this
3 subsection. Each state-administered retirement system shall pay
4 annually to the insurance trust fund established under KRS 61.701 the
5 portion of the system's cost of the retiree's monthly contribution for
6 single coverage for hospital and medical insurance plan which shall be
7 equal to the percentage of the member's number of months of service in
8 the other state-administered retirement plan divided by his or her total
9 combined service and in conjunction with the reciprocal agreement
10 established between the system and the other state-administered
11 retirement systems. The amounts paid by the other state-administered
12 retirement plans and by the County Employees Retirement System from
13 funds specified under paragraph (a)2. of this subsection shall not be
14 more than one hundred percent (100%) of the monthly contribution
15 adopted by the respective boards of trustees;

16 2. A member may not elect coverage for hospital and medical benefits
17 through more than one (1) of the state-administered retirement systems;
18 and

19 3. A state-administered retirement system shall not pay any portion of a
20 member's monthly contribution for medical insurance unless the
21 member is a recipient or annuitant of the plan.

22 (5) Premiums paid for hospital and medical insurance coverage procured under
23 authority of this section shall be exempt from any premium tax which might
24 otherwise be required under KRS Chapter 136. The payment of premiums by the
25 funds described by subsection (4)(a)2. of this section shall not constitute taxable
26 income to an insured recipient. No commission shall be paid for hospital and
27 medical insurance procured under authority of this section.

- 1 (6) (a) The board shall promulgate an administrative regulation to establish a medical
2 insurance reimbursement plan to provide reimbursement for hospital and
3 medical insurance plan premiums of recipients of a retirement allowance who:
- 4 1. Are not eligible for the same level of hospital and medical benefits as
5 recipients living in Kentucky and having the same Medicare hospital
6 and medical insurance eligibility status; or
 - 7 2. Are eligible for retiree health subsidies as provided by subsection (4)(e)
8 of this section, except for those recipients eligible for full premium
9 subsidies under subsection (4)(e)5. of this section. The reimbursement
10 program as provided by this subparagraph shall be available to the
11 recipient regardless of the hospital and medical insurance plans offered
12 by the systems.
- 13 (b) An eligible recipient shall file proof of payment for hospital and medical
14 insurance plan coverage with the retirement office. Reimbursement to eligible
15 recipients shall be made on a quarterly basis. The recipient shall be eligible
16 for reimbursement of substantiated medical insurance premiums paid by the
17 recipient to obtain coverage for an amount not to exceed the total monthly
18 contribution rate determined under subsection (4) of this section. For
19 reimbursements provided under paragraph (a)2. of this subsection, the full
20 subsidy under subsection (4)(e)2. of this section shall be reimbursed by the
21 system to the recipient up to the amount individually paid by the recipient to
22 obtain coverage. In the case of recipients of a retirement allowance from a
23 nonhazardous position, the reimbursement shall be limited to the amount paid
24 by the recipient to obtain single coverage.
- 25 (c) For purposes of recipients described by paragraph (a)1. of this subsection, the
26 plan shall not be made available if all recipients are eligible for the same
27 coverage as recipients living in Kentucky.

1 ➔Section 5. KRS 78.5540 is amended to read as follows:

2 (1) A retired member whose disability retirement was discontinued pursuant to KRS
3 78.5528 and who is reemployed by an employer participating in the system or the
4 Kentucky Retirement Systems prior to his or her normal retirement date shall have
5 his or her accounts combined upon termination for determining eligibility for
6 benefits. If the member is eligible for retirement, the member's service and
7 creditable compensation earned as a result of his or her reemployment shall be used
8 in the calculation of benefits, except that the member's final compensation shall not
9 be less than the final compensation last used in determining his or her retirement
10 allowance. The member shall not change beneficiary or payment option
11 designations.

12 (2) (a) If a retired member accepts employment or begins serving as a volunteer with
13 an employer participating in the systems administered by Kentucky
14 Retirement Systems or the County Employees Retirement System within
15 twelve (12) months of his or her retirement date, the retired member shall
16 notify the Authority and the participating employer shall submit the
17 information required or requested by the Authority to confirm the individual's
18 employment or volunteer status. The retired member shall not be required to
19 notify the Authority regarding any employment or volunteer service with a
20 participating agency that is accepted after twelve (12) months following his or
21 her retirement date.

22 (b) If the retired member is under a contract to provide services as an independent
23 contractor or leased employee to an employer participating in the systems
24 administered by Kentucky Retirement Systems or the County Employees
25 Retirement System within twelve (12) months of his or her retirement date,
26 the member shall submit a copy of that contract to the Authority, and the
27 Authority shall determine if the member is an independent contractor or

1 leased employee for purposes of retirement benefits. The retired member and
2 the participating employer shall submit the information required or requested
3 by the Authority to confirm the individual's status as an independent
4 contractor or leased employee. The retired member shall not be required to
5 notify the Authority regarding any services entered into as an independent
6 contractor or leased employee with a participating agency that the employee
7 enters into after twelve (12) months following his or her retirement date.

8 (3) Retired members of the County Employees Retirement System who returned to
9 work with an employer that participates in the County Employees Retirement
10 System or Kentucky Retirement Systems prior to September 1, 2008, shall be
11 governed by the provisions of KRS 61.637(1) to (16).

12 (4) The following shall apply to retired members of the County Employees Retirement
13 System who are reemployed on or after September 1, 2008, by an agency
14 participating in the systems administered by the County Employees Retirement
15 System or the Kentucky Retirement Systems:

16 (a) If a retired member is receiving a retirement allowance from the County
17 Employees Retirement System, or has filed the forms required to receive a
18 retirement allowance from the County Employees Retirement System, and is
19 employed in a regular full-time position required to participate in the County
20 Employees Retirement System or one (1) of the systems administered by the
21 Kentucky Retirement Systems or is employed in a position that is not
22 considered regular full-time with an employer participating in the County
23 Employees Retirement System or in one (1) of the systems administered by
24 the Kentucky Retirement Systems within one (1) month following the
25 member's initial retirement date, the member's retirement shall be voided, and
26 the member shall repay to the system all benefits received, including any
27 health insurance benefits. If the retired member is returning to work in a

1 regular full-time position required to participate in the County Employees
2 Retirement System:

- 3 1. The member shall contribute to a member account established for him or
4 her in the County Employees Retirement System or in one (1) of the
5 systems administered by the Kentucky Retirement Systems, and
6 employer contributions shall be paid on behalf of the member by the
7 participating employer to the system; and
- 8 2. Upon subsequent retirement, the member shall be eligible for a
9 retirement allowance based upon total service and creditable
10 compensation, including any additional service or creditable
11 compensation earned after his or her initial retirement was voided;

12 (b) If a retired member is receiving a retirement allowance from the County
13 Employees Retirement System and is employed in a regular full-time position
14 required to participate in the County Employees Retirement System or in one
15 (1) of the systems administered by the Kentucky Retirement Systems after a
16 one (1) month period following the member's initial retirement date, the
17 member may continue to receive his or her retirement allowance during the
18 period of reemployment subject to the following provisions:

- 19 1. If a member is reemployed by a participating employer within twelve
20 (12) months of the member's retirement date, the participating employer
21 shall certify in writing on a form prescribed by the Authority that no
22 prearranged agreement existed between the employee and employer
23 prior to the employee's retirement for the employee to return to work
24 with the participating employer. If the participating employer fails to
25 complete the certification or the Authority determines a prearranged
26 agreement exists, the member's retirement shall be voided and the
27 provisions of paragraph (a) of this subsection shall apply to the member

- 1 and the employer. For purposes of this paragraph:
- 2 a. If an elected official is reelected to a new term of office in the
- 3 same position as the elected official held prior to retirement and
- 4 takes office within twelve (12) months of his or her retirement
- 5 date, he or she shall be deemed by the Authority as having a
- 6 prearranged agreement; and
- 7 b. Employment that is accepted by the retired member after twelve
- 8 (12) months following the member's retirement date shall not
- 9 constitute a prearranged agreement under this paragraph;
- 10 2. Notwithstanding any other provision of KRS Chapter 78 to the contrary,
- 11 the member shall not contribute to the system and shall not earn any
- 12 additional benefits for any work performed during the period of
- 13 reemployment;
- 14 3. Except as provided by KRS 70.291 to 70.293, 95.022, Section 1 of this
- 15 Act, and 164.952 and except for any retiree employed as a school
- 16 resource officer as defined by KRS 158.441 or as a Kentucky guardian
- 17 as defined by KRS 158.4431, the employer shall pay employer
- 18 contributions as specified by KRS 78.5536 and 78.635 on all creditable
- 19 compensation earned by the employee during the period of
- 20 reemployment. The additional contributions paid shall be used to reduce
- 21 the unfunded actuarial liability of the system; and
- 22 4. Except as provided by KRS 70.291 to 70.293, 95.022, Section 1 of this
- 23 Act, and 164.952 and except for any retiree employed as a school
- 24 resource officer as defined by KRS 158.441 or as a Kentucky guardian
- 25 as defined by KRS 158.4431, the employer shall be required to
- 26 reimburse the system for the cost of the health insurance premium paid
- 27 by the system to provide coverage for the retiree, not to exceed the cost

1 of the single premium. Effective July 1, 2015, local school boards shall
2 not be required to pay the reimbursement required by this subparagraph
3 for retirees employed by the board for eighty (80) days or less during the
4 fiscal year. Effective August 1, 2024, the Department of Education shall
5 pay for the health reimbursements required by this subparagraph for a
6 retiree who participated in a hazardous position prior to July 1, 2003, in
7 the County Employees Retirement System or in one (1) of the systems
8 administered by the Kentucky Retirement Systems, and who is
9 reemployed by a local school board;

10 (c) Notwithstanding paragraphs (a) and (b) of this subsection, a retired member
11 who qualifies as a volunteer for an employer participating in the County
12 Employees Retirement System or the Kentucky Retirement Systems and who
13 is receiving reimbursement of actual expenses, a nominal fee for his or her
14 volunteer services, or both, shall not be considered an employee of the
15 participating employer and shall not be subject to paragraphs (a) and (b) of
16 this subsection if:

- 17 1. Prior to the retired member's most recent retirement date, he or she did
18 not receive creditable compensation from the participating employer in
19 which the retired member is performing volunteer services;
- 20 2. Any reimbursement or nominal fee received prior to the retired
21 member's most recent retirement date has not been credited as creditable
22 compensation to the member's account or utilized in the calculation of
23 the retired member's benefits;
- 24 3. The retired member has not purchased or received service credit under
25 any of the provisions of KRS 78.510 to 78.852 for service with the
26 participating employer for which the retired member is performing
27 volunteer services; and

1 4. Other than the status of volunteer, the retired member does not become
2 an employee, leased employee, or independent contractor of the
3 employer for which he or she is performing volunteer services for a
4 period of at least twelve (12) months following the retired member's
5 most recent retirement date.

6 If a retired member, who provided volunteer services with a participating
7 employer under this paragraph violates any provision of this paragraph, then
8 he or she shall be deemed an employee of the participating employer as of the
9 date he or she began providing volunteer services and both the retired member
10 and the participating employer shall be subject to paragraphs (a) and (b) of
11 this subsection for the period of volunteer service;

12 (d) Notwithstanding any provision of this section, any mayor or member of a city
13 legislative body shall not be required to resign from his or her position as
14 mayor or as a member of the city legislative body in order to begin drawing
15 benefits from the systems administered by the Kentucky Retirement Systems
16 or the County Employees Retirement System or subject to any provision of
17 this section as it relates solely to his or her service as a mayor or member of
18 the city legislative body, if the mayor or member of a city legislative body:

19 1. Has not participated in the County Employees Retirement System prior
20 to retirement, but is otherwise eligible to retire from the Kentucky
21 Employees Retirement System or the State Police Retirement System; or
22 2. Has been or is participating in the County Employees Retirement
23 System and is at least sixty-two (62) years of age. If a mayor or member
24 of a city legislative body who is at least sixty-two (62) years of age
25 retires from the systems administered by Kentucky Retirement Systems
26 or the County Employees Retirement System but remains in office after
27 his or her effective retirement date, the mayor or member of the city

1 legislative body shall not accrue any further service credit or benefits in
2 the systems administered by Kentucky Retirement Systems or the
3 County Employees Retirement System for any employment occurring
4 on or after the effective retirement date;

5 (e) Notwithstanding any provision of this section, any current or future part-time
6 adjunct instructor for the Kentucky Fire Commission who has not participated
7 in the Kentucky Employees Retirement System prior to retirement, but who is
8 otherwise eligible to retire from the County Employees Retirement System,
9 shall not be:

- 10 1. Required to resign from his or her position as a part-time adjunct
11 instructor for the Kentucky Fire Commission in order to begin drawing
12 benefits from the County Employees Retirement System; or
- 13 2. Subject to any provision of this section as it relates solely to his or her
14 service as a part-time adjunct instructor for the Kentucky Fire
15 Commission;

16 (f) If a member is receiving a retirement allowance from the County Employees
17 Retirement System and enters into a contract or becomes a leased employee of
18 an employer under contract with an employer participating in the County
19 Employees Retirement System or one (1) of the systems administered by the
20 Kentucky Retirement Systems:

- 21 1. At any time following retirement, if the Authority determines the
22 employment arrangement does qualify as an independent contractor or
23 leased employee, the member may continue to receive his or her
24 retirement allowance during the period of the contract;
- 25 2. Within one (1) month following the member's initial retirement date, if
26 the Authority determines the employment arrangement does not qualify
27 as an independent contractor or leased employee, the member's

1 retirement shall be voided in accordance with paragraph (a) of this
2 subsection;

3 3. After one (1) month but within twelve (12) months following the
4 member's initial retirement, if the Authority determines the employment
5 arrangement does not qualify as an independent contractor or leased
6 employee and that a prearranged agreement existed between the member
7 and the agency for the member to return to work with the agency, the
8 member's retirement shall be voided in accordance with paragraph (a) of
9 this subsection;

10 4. After a twelve (12) month period following the member's initial
11 retirement, the member may continue to receive his or her retirement
12 allowance during the period of the contract and the member shall not be
13 required to notify the Authority or submit any documentation for
14 purposes of this section to the Authority; and

15 5. After twelve (12) months or more following the retired member's
16 retirement date, the initiation of a contract or the initial date of the
17 leased employment of a retired member by a participating agency shall
18 not constitute a prearranged agreement under this subsection;

19 (g) The Authority shall issue a final determination regarding a certification of the
20 absence of a prearranged agreement or the retired member's qualification as
21 an independent contractor or leased employee as required under this section
22 no later than thirty (30) days after the retired member and participating
23 employer provide all required forms and additional information required by
24 the Authority; and

25 (h) Retired members of one (1) of the systems administered by Kentucky
26 Retirement Systems who are reemployed by an employer in the County
27 Employees Retirement System on or after September 1, 2008, shall not be

1 eligible to earn a second retirement account in the County Employees
2 Retirement System for his or her service to the employer.

3 (5) The Authority shall promulgate administrative regulations to implement the
4 requirements of this section, including incorporating by reference Authority-
5 prescribed forms that a retired member and participating agency shall provide the
6 systems under subsections (1) and (4) of this section.

7 (6) (a) As used in this section, "reemployment" or "reinstatement"~~[as used in this~~
8 ~~section]~~ shall not include a retired member who has been ordered reinstated
9 by the Personnel Board under authority of KRS 18A.095.

10 (b) 1. A retired member who has been ordered reinstated without loss of pay
11 by the Personnel Board under authority of KRS 18A.095 or by court
12 order or by order of the Kentucky Commission on Human Rights and
13 accepts employment by an agency participating in the Kentucky
14 Employees Retirement System, State Police Retirement System, or
15 County Employees Retirement System shall void his or her retirement
16 by reimbursing the system in the full amount of his or her retirement
17 allowance payments received, including any health insurance benefits
18 paid to or on behalf of the member.

19 2. Within twelve (12) months of the date of the final order of the Personnel
20 Board, the Kentucky Commission on Human Rights, or the court, the
21 member shall repay the system the full amount of his or her retirement
22 allowance payments and health insurance benefits by lump sum or enter
23 into an agreement with the Authority for repayment by installments.

24 3. Once the system has been fully reimbursed for the benefits paid to the
25 member and on the member's behalf, additional contributions and
26 service credit based on the reinstated employment shall be added to the
27 member's account.